**Wealth taxation**

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THE global discussion on taxation is as much about utilitarian efficiency as it is about fairness. At the same time, a dominant theme of this discussion uses a utilitarian framing with considerations about fairness often taking a back seat. Wealth taxation is one such example where, with questions around the fair distribution of wealth, most of the discussion focuses on allocative ef ficiency.

Simply put, policymakers think about wealth taxation as a cost-benefit calculus.

For instance, assume that you have several billionaires living in a particular country. Is the wealth of these billionaires going to be more productive in the hands of the government via redistribution among the wider population? Or is this same wealth going to be more productively allocated in the economy by the billionaires themselves.

Part of the appeal of this utilitarian f raming is that such questions can be empirically tested leading to a definitive answer and bringing in some measure of objectivity. It is important to consider questions of allocative efficiency and economic distortions introduced by taxation for us to make objective and better-informed decisions. At the same time, a more fundamental question is a philosophical one: what is the fair allocation of resources in a country? The response to this issue, one in which libertarian, utilitarian and freedom-based arguments compete for space, holds the key to answering policy-level questions of taxation.

When it comes to wealth taxation, a key question is whether society at large has any claims on the wealth of rich individuals.

Libertarian arguments emphasise individual freedom and connect free exchange in the market economy to freedom. Hence, unsurprisingly, these arguments are against redistribution because this would infringe upon individual rights of freedom.

A key limitation of such arguments is that market exchange is often not free and simply exacerbates existing inequalities. For instance, being born into a poor f amily without a chance to get a good education would limit your chances of upward mobility, so it is not really a `f ree`level-playing field. If it is not really your own effort, and instead, circumstances beyond your control determine your position in the world to some extent, then what is the fair way to structure society? Answering this would determine what we think of policy instruments such as wealth taxation.

Here, the American political philosopher, John Rawls, came up with one of the most compelling arguments. In very simple terms, he contended that the fair way to structure a society is to agree on principles assuming that we do not know where in soci-ety we will end up a concept he terms the `veil of ignorance`.

If you, for instance, did not know the income of the household you are born into, the religion of your parents and the natural abilities you will be blessed with, what sort of societal structure would you agree on? Would you be okay with the persecution of minorities for utilitarian purposes, given that there is a chance that you might belong to a minority community yourself? Would you want generations upon generations to pass down wealth without any effort of their own? Finally, would you want some form of redistribution, even though there is a chance that you might end up poor? Answering these questions ultimately holds the key to how we structure our society at a broader level, who we think is the fair owner of wealth and whether we would want wealth taxation in a country at a policy level.

Taking a step back, how do we square utilitarian empirical arguments about the alloc-ative ef ficiency of wealth taxation with the larger questions about the fair way to structure a society? With most of the focus in the discourse on wealth taxation on the former, it is important to rebalance our critical analysis such that we do not ignore the fundamental questions about fairness at play. It isoften tempting to stick to an objective, empirical and utilitarian framing because there is at least, in theory, one correct answer. At the same time, ignoring the questions about fairness in our discourse risks making it incomplete and our policy choices devoid of a moral foundation.

So how do we rebalance our public discourse on matters such as wealth taxation knowing that questions about justice often do not have a straightforward answer? As you can tell from the analysis here, there are several competing arguments regarding the f air way to structure a society. The point here is not to have definitive answers to such questions, but instead, to take that first step of having a more holistic debate around the structure of society at a macro level and policy instruments at a micro level. Such rebalancing can go a long way in helping us make morally grounded decisions that affectour dailylives. The writer is a PhD candidate at the University of Oxford and a graduate of Harvard Kennedy School of Government Twitter: @KhudadadChatt ha